

CALHOUN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

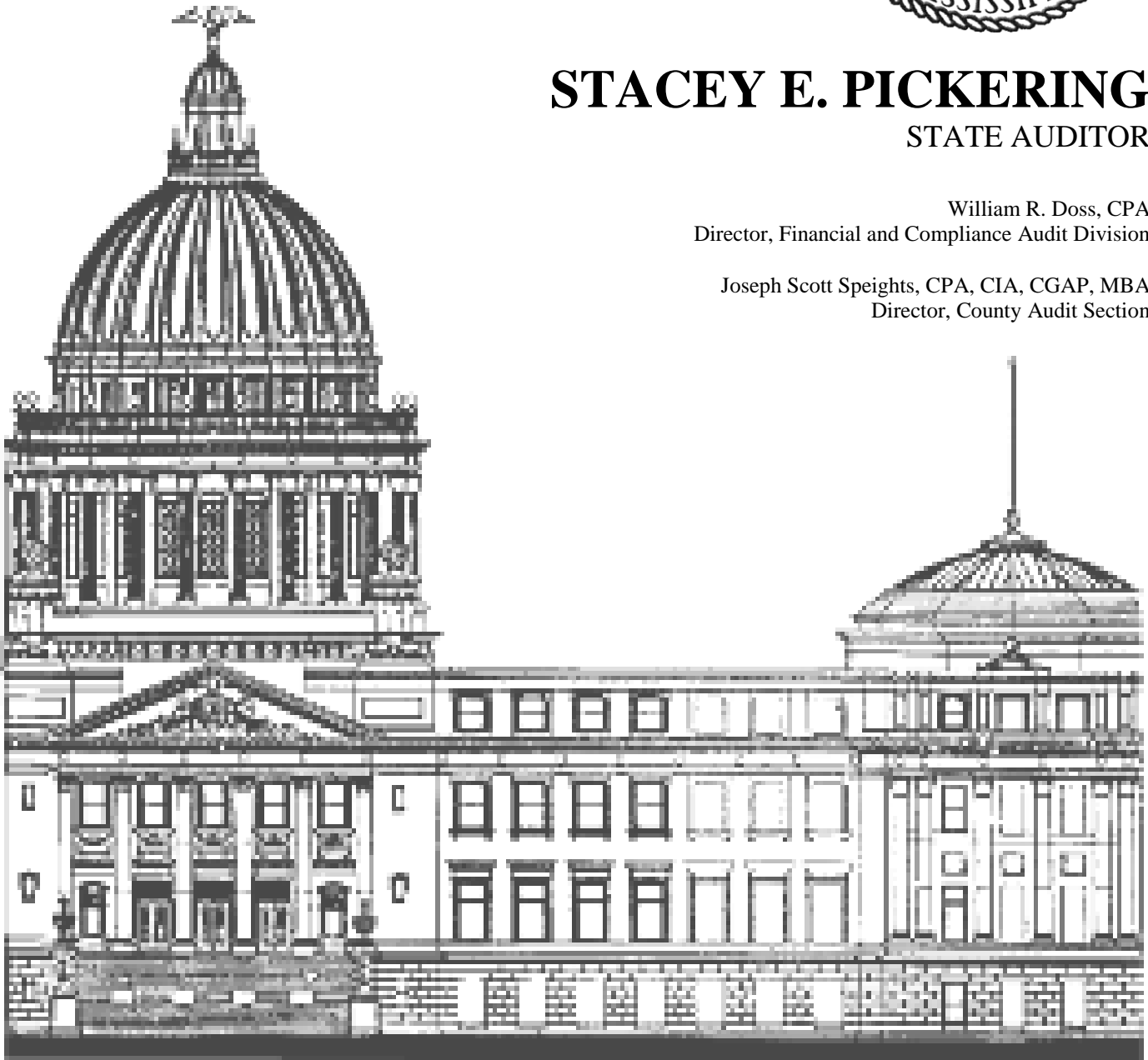


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 4, 2015

Members of the Board of Supervisors
Calhoun County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Calhoun County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Calhoun County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Calhoun County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

CALHOUN COUNTY

TABLE OF CONTENTS

FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds.....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement Net Assets – Proprietary Fund.....	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	14
Statement of Cash Flows – Proprietary Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	37
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	39
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – State Aid Road Fund.....	40
Notes to the Required Supplementary Information	41
SUPPLEMENTAL INFORMATION	43
Schedule of Expenditures of Federal Awards	45
OTHER INFORMATION	47
Schedule of Surety Bonds for County Officials	49
SPECIAL REPORTS.....	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	55
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	57
Limited Internal Control and Compliance Review Management Report	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS	79

CALHOUN COUNTY

FINANCIAL SECTION

CALHOUN COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Calhoun County Health Services component unit, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting fines receivable of the Circuit Court and the aging of these receivables. The fines receivable aging schedules should only include the fines due to the County. The Circuit Court fines receivable aging schedules included fees, restitution and state assessments in addition to the Circuit Court fines. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$581,736, as of September 30, 2012.

In our opinion, except for the effects, if any of the matter discussed in the third paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Calhoun County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, the State Aid Fund, the USDA \$3 Million Courthouse Construction Loan Fund, the 2011 \$3 Million Courthouse General Obligation Bond Issue Fund, the \$900,000 HUD Grant Fund, the Solid Waste Fund and the aggregate remaining fund information of Calhoun County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

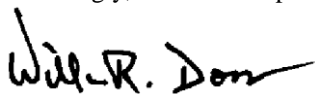
In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of Calhoun County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Calhoun County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2015

CALHOUN COUNTY

FINANCIAL STATEMENTS

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Calhoun County Health Services
ASSETS				
Cash	\$ 4,144,697	251,172	4,395,869	658,635
Cash with fiscal agent	185,965		185,965	
Cash - patient funds held by facility				35,861
Investments				3,990,871
Property tax receivable	4,202,955		4,202,955	
Accounts receivable (net of allowance for uncollectibles of \$280,809)		76,931	76,931	
Patient accounts receivable (net of allowance for uncollectibles of \$1,798,976)				3,543,879
Fines receivable (net of allowance for uncollectibles of \$1,813,171)	581,736		581,736	
Intergovernmental receivables	274,242		274,242	
Other receivables	40,308	57,092	97,400	
Internal balances	39,011	(39,011)		
Estimated third-party payor settlements				367,703
Prepaid items				71,570
Inventories				255,597
Deferred charges - bond issuance costs	27,142		27,142	
Restricted assets				59,309
Other assets				252,932
Capital assets:				
Land and construction in progress	7,157,045		7,157,045	
Other capital assets, net	9,611,284	283,585	9,894,869	1,483,521
Total Assets	26,264,385	629,769	26,894,154	10,719,878
LIABILITIES				
Claims payable	742,031	58,962	800,993	1,111,053
Intergovernmental payables	85,910		85,910	
Accrued interest payable	45,382	187	45,569	
Deferred revenue	5,021,891		5,021,891	
Unearned revenue		50,773	50,773	
Amounts held in custody for others	13,959		13,959	111,093
Claims and judgments payable	124,958		124,958	
Long-term liabilities				
Due within one year:				
Capital debt	468,804	58,971	527,775	180,717
Due in more than one year:				
Capital debt	5,157,538	89,517	5,247,055	181,281
Non-capital debt	95,010	21,526	116,536	
Total Liabilities	11,755,483	279,936	12,035,419	1,584,144
NET ASSETS				
Invested in capital assets, net of related debt	11,141,987	135,097	11,277,084	1,121,523
Restricted:				
Expendable:				
General government	125,291		125,291	
Public safety	159,298		159,298	
Public works	1,105,891	214,736	1,320,627	
Culture and recreation	16,149		16,149	
Conservation of natural resources			0	
Economic development and assistance	15,796		15,796	
Debt service	36,610		36,610	
Unrestricted	1,907,880		1,907,880	8,014,211
Total Net Assets	\$ 14,508,902	349,833	14,858,735	9,135,734

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit Calhoun County Health Services
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,036,287	475,675	27,501	103,105	(2,430,006)		(2,430,006)	
Public safety	1,319,736	235,510	71,531		(1,012,695)		(1,012,695)	
Public works	2,357,339		674,711	1,576,137	(106,491)		(106,491)	
Health and welfare	201,120		74,202		(126,918)		(126,918)	
Culture and recreation	29,710				(29,710)		(29,710)	
Conservation of natural resources	79,687				(79,687)		(79,687)	
Economic development and assistance	52,353				(52,353)		(52,353)	
Interest on long-term debt	188,527				(188,527)		(188,527)	
Total Governmental Activities	7,264,759	711,185	847,945	1,679,242	(4,026,387)		(4,026,387)	
Business-type activities:								
Solid Waste	711,593	749,465				37,872	37,872	
Total Business-type Activities	711,593	749,465	0	0		37,872	37,872	
Total Primary Government	7,976,352	1,460,650	847,945	1,679,242	(4,026,387)	37,872	(3,988,515)	
Component unit:								
Calhoun County Health Services	18,158,992	20,044,222						1,885,230
Total Component Unit	18,158,992	20,044,222	0	0				1,885,230
General revenues:								
Property taxes					\$ 4,337,929		4,337,929	
Road & bridge privilege taxes					174,269		174,269	
Grants and contributions not restricted to specific programs					402,633		402,633	
Unrestricted interest income					11,167	678	11,845	50,084
Miscellaneous					218,739	1,652	220,391	
Total General Revenues					5,144,737	2,330	5,147,067	50,084
Changes in Net Assets					1,118,350	40,202	1,158,552	1,935,314
Net Assets - Beginning of year, as previously reported					13,032,879	373,496	13,406,375	7,200,420
Prior period adjustments					357,673	(63,865)	293,808	
Net Assets - Beginning of year, as restated					13,390,552	309,631	13,700,183	7,200,420
Net Assets - End of year					\$ 14,508,902	349,833	14,858,735	9,135,734

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	Major Funds						
	General	State Aid	USDA \$3 Million Courthouse Construction Loan Fund	2011 \$3 Million Courthouse G. O. Bond Issue Fund	\$900,000 HUD Grant Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Fund	Fund	Fund	Funds	Funds
ASSETS							
Cash	\$ 1,675,305	39,239	3,288	100	839,528	1,587,237	4,144,697
Cash with fiscal agent				185,965			185,965
Property tax receivable	2,561,496			198,000		1,443,459	4,202,955
Fines receivable (net of allowance for uncollectibles of \$1,813,171)	581,736						581,736
Intergovernmental receivables	93,955	61,316		83,105		35,866	274,242
Other receivables	26,853					13,455	40,308
Due from other funds	30,139					35,096	65,235
Advances to other funds	28,872						28,872
Total Assets	\$ 4,998,356	100,555	3,288	467,170	839,528	3,115,113	9,524,010
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 201,881	61,316		269,070		209,764	742,031
Intergovernmental payables	85,218				692		85,910
Due to other funds	35,096				20,000		55,096
Deferred revenue	3,143,232			198,100	818,836	1,443,459	5,603,627
Amounts held in custody for others	13,959						13,959
Claims and judgments payable	124,958						124,958
Total Liabilities	3,604,344	61,316	0	467,170	839,528	1,653,223	6,625,581
Fund balances:							
Nonspendable:							
Advances	28,872						28,872
Restricted for:							
General government			3,288			122,003	125,291
Public safety						159,298	159,298
Public works		39,239				1,066,652	1,105,891
Culture and recreation						16,149	16,149
Economic development and assistance						15,796	15,796
Debt service						81,992	81,992
Unassigned	1,365,140						1,365,140
Total Fund Balances	1,394,012	39,239	3,288	0	0	1,461,890	2,898,429
Total Liabilities and Fund Balances	\$ 4,998,356	100,555	3,288	467,170	839,528	3,115,113	9,524,010

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,898,429
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,131,470.	16,768,329
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	581,736
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,721,352)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(45,382)
Deferred charges - bond issuance costs	<u>27,142</u>
Total Net Assets - Governmental Activities	\$ <u><u>14,508,902</u></u>

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds						
	General Fund	State Aid Fund	USDA \$3 Million Courthouse Construction Loan Fund	2011 \$3 Million Courthouse G. O. Bond Issue Fund	\$900,000 HUD Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 2,840,870					1,497,059	4,337,929
Road and bridge privilege taxes						174,269	174,269
Licenses, commissions and other revenue	55,887					12,484	68,371
Fines and forfeitures	284,007					19,773	303,780
Intergovernmental revenues	477,688	1,589,359		83,105	20,000	759,668	2,929,820
Charges for services	37,785					157,554	195,339
Interest income	6,997		10			4,160	11,167
Miscellaneous revenues	131,721					47,817	179,538
Total Revenues	3,834,955	1,589,359	10	83,105	20,000	2,672,784	8,200,213
EXPENDITURES							
Current:							
General government	2,848,301		1,080,042	619,735	20,000	242,596	4,810,674
Public safety	942,812					380,000	1,322,812
Public works		1,589,359				2,190,940	3,780,299
Health and welfare	146,754						146,754
Culture and recreation						19,420	19,420
Conservation of natural resources	69,722					9,922	79,644
Economic development and assistance	19,730					32,623	52,353
Debt service:							
Principal				2,378,591		320,357	2,698,948
Interest				57,059		112,131	169,190
Bond issue costs				27,720			27,720
Total Expenditures	4,027,319	1,589,359	1,080,042	3,083,105	20,000	3,307,989	13,107,814
Excess of Revenues over (under) Expenditures	(192,364)	0	(1,080,032)	(3,000,000)	0	(635,205)	(4,907,601)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued			1,175,107	3,000,000		476,924	4,652,031
Proceeds from sale of capital assets	325					30,881	31,206
Transfers in						175,904	175,904
Transfers out	(131,924)					(43,980)	(175,904)
Total Other Financing Sources and Uses	(131,599)	0	1,175,107	3,000,000	0	639,729	4,683,237
Net Changes in Fund Balances	(323,963)	0	95,075	0	0	4,524	(224,364)
Fund Balances - Beginning of year, as previously reported	1,577,285	39,239	3,278			1,515,122	3,134,924
Fund reclassification	41,850					(41,850)	
Prior period adjustments	98,840		(95,065)			(15,906)	(12,131)
Fund Balances - Beginning of year, as restated	1,717,975	39,239	(91,787)	0	0	1,457,366	3,122,793
Fund Balances - End of year	\$ 1,394,012	39,239	3,288	0	0	1,461,890	2,898,429

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (224,364)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,789,747 exceeded depreciation of \$532,981 in the current period.	3,256,766
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$34,601 and the proceeds from the sale of \$31,206 in the current period.	(65,807)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	143,695
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$4,652,031 exceeded debt repayments of \$2,698,948.	(1,953,083)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(19,337)
Decrease in compensated absences	2,627
Decrease in prepaid insurance	(49,289)
Increase in bond issuance costs, net of amortization	<u>27,142</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,118,350</u></u>

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2012

Exhibit 5

	Business-type Activities- Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 251,172
Accounts receivable (net of allowance for uncollectibles of \$280,809)	76,931
Other receivables	57,092
Total Current Assets	<u>385,195</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	283,585
Total Noncurrent Assets	<u>283,585</u>
Total Assets	<u>668,780</u>
LIABILITIES	
Current liabilities:	
Claims payable	58,962
Due to other funds	10,139
Advances from other funds	28,872
Accrued interest payable	187
Unearned revenue	50,773
Capital debt:	
Capital leases payable	58,971
Total Current Liabilities	<u>207,904</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	89,517
Non-capital debt:	
Compensated absences payable	21,526
Total Noncurrent Liabilities	<u>111,043</u>
NET ASSETS	
Invested in capital assets, net of related debt	135,097
Restricted for:	
Public works	214,736
Total Net Assets	<u>\$ 349,833</u>

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 6

	Business-type Activities- Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	749,465
Miscellaneous	1,652
Total Operating Revenues	<u>751,117</u>
Operating Expenses	
Cost of sales	
Personal services	257,126
Contractual services	237,910
Materials and supplies	165,031
Depreciation expense	36,963
Indirect administrative cost	10,139
Total Operating Expenses	<u>707,169</u>
Operating Income (Loss)	<u>43,948</u>
Nonoperating Revenues (Expenses)	
Interest income	678
Interest expense	(4,424)
Net Nonoperating Revenue (Expenses)	<u>(3,746)</u>
Net Income (Loss)	40,202
Net Assets - Beginning, as previously reported	373,496
Fund reclassification	
Prior period adjustments	(63,865)
Net Assets - Beginning, as restated	<u>309,631</u>
Net Assets - Ending	<u><u>349,833</u></u>

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 7

	Business-type Activities- Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 720,692
Payments to suppliers	(413,107)
Payments to employees	(252,940)
Other operating cash receipts	1,652
Net Cash Provided (Used) by Operating Activities	<u>56,297</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	95,261
Acquisition and construction of capital assets	(95,261)
Principal paid on long-term debt	(47,858)
Interest paid on debt	(4,237)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(52,095)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>678</u>
Net Cash Provided (Used) by Investing Activities	<u>678</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,880
Cash and Cash Equivalents at Beginning of Year	255,530
Adjustments to Beginning of Year Cash Due to Error in Prior Year Cash	<u>(9,238)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 251,172</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 43,948
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	36,963
Provision for uncollectible accounts	(149)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(36,072)
(Increase) decrease in other receivables	(2,615)
Increase (decrease) in claims payable	(10,166)
Increase (decrease) in compensated absences liability	4,186
Increase (decrease) in unearned revenue	10,063
Increase (decrease) in interfund payables	10,139
Total Adjustments	<u>12,349</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,297</u>

Noncash Capital Financing Activity:

Calhoun County lease purchased mobile equipment for \$95,261 for four years at 2.77% interest.
Principal payments of \$13,244 were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>83,387</u>
Total Assets	\$ <u><u>83,387</u></u>
LIABILITIES	
Other liabilities	\$ 31,899
Intergovernmental payables	<u>51,488</u>
Total Liabilities	\$ <u><u>83,387</u></u>

The notes to the financial statements are an integral part of this statement.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Calhoun County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Calhoun County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column, in the financial statements, includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County. A majority of the members of the governing body of this component unit are appointed by the County Board of Supervisors.

Calhoun County Health Services – It was created on October 1, 2000, with the combination of Calhoun County Nursing Home which was owned by Calhoun County, Mississippi, and Hillcrest Hospital which was owned by Calhoun City, Mississippi. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Calhoun County, Mississippi, and the Board of Alderman of Calhoun City, Mississippi.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

State Aid Fund – This fund accounts for monies from specific revenue sources that are restricted for state aid projects.

USDA \$3 Million Courthouse Construction Loan Fund – This fund accounts for the interim financing resources to be used for the construction of the new county courthouse.

2011 \$3 Million Courthouse G.O. Bond Issue Fund - This fund accounts for the USDA bond resources to be used for the construction of the new county courthouse.

\$900,000 HUD Grant Fund – This fund accounts for the HUD resources to be used for the construction of the new county courthouse.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Calhoun County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges.

In the fund financial statements, Governmental Fund Types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Fund Reclassification.

The Reappraisal Escrow's beginning fund balance of \$41,850 was reclassified from the Other Governmental Funds to General Fund because it was incorrectly classified in prior year financial statements.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in prior year cash	\$ 10,725
To correct error in prior year other receivable	(95,065)
To correct error in prior year interfund loans	57,744
To correct error in prior year claims payable	14,465
To correct error in prior year capital assets, net	369,804
Total prior period adjustments	<u>\$ 357,673</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct error in prior year cash	\$ 10,725
To correct error in prior year other receivable	(95,065)
To correct error in prior year interfund loans	57,744
To correct error in prior year claims payable	14,465
Total prior period adjustments	<u>\$ (12,131)</u>

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
To correct error in prior year cash	\$ (9,238)
To correct error in prior year interfund loans	(57,744)
To correct error in prior year claims payable	3,117
Total prior period adjustments	<u>\$ (63,865)</u>

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(4) Deposits and Investments.

Governmental Activities

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$4,479,256, and the bank balance was \$4,645,758. The collateral for public entities' deposits' in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Component Unit – Calhoun County Health Services

Deposits:

Calhoun County Health Services deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment securities that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities' deposits' in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Investments:

Calhoun County Health Services participates in the Mississippi Hospital Associates pool investment program. The funds are invested for the benefit of the facility by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2012 follows:

MHA Investment Pool	\$	3,996,024
Unrealized loss on investments		(5,153)
Net Investment	\$	<u>3,990,871</u>
 MHA Investment Pool – Restricted	 \$	 60,530
Unrealized loss on investments		(1,221)
Net Investment - Restricted	\$	<u>59,309</u>

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 10,139
General Fund	\$900,000 HUD	20,000
Other Governmental Funds	General Fund	35,096
Total		<u>\$ 65,235</u>

The receivables represent indirect cost, grant administrative costs and the tax revenue collected in September 2012 but not settled until October, 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 28,872
Total		<u>\$ 28,872</u>

The advances represent prior year indirect administrative cost.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 131,924
Other Governmental Funds	Other Governmental Funds	43,980
Total		<u>\$ 175,904</u>

The purposes of interfund transfers were to cover operating expenses, cover grant match requirements, and to transfer the Reappraisal Escrow tax levy. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Community facilities grant	\$ 83,105
Emergency management reimbursement	4,271
Fines and fees	20,224
Legislative tax credit	56,685
Motor vehicle fuel tax	19,960
Privilege tax	9,152
State aid road reimbursement	65,286

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Description	Amount
Harvest permits	1,317
Food stamp reimbursement	2,812
Welfare reimbursement	3,170
Reimbursement for housing prisoners	3,800
Other	4,460
Total Governmental Activities	\$ 274,242

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Non-depreciable capital assets:					
Land	\$ 593,687				593,687
Construction in progress	4,553,167	3,173,086		(1,162,895)	6,563,358
Total non-depreciable capital assets	5,146,854	3,173,086	0	(1,162,895)	7,157,045
Depreciable capital assets:					
Infrastructure	4,217,258	3,281		1,485,899	5,706,438
Buildings	4,758,501			60,000	4,818,501
Improvements other than buildings	414,442				414,442
Mobile equipment	3,299,503	73,553	241,672	354,219	3,485,603
Furniture and equipment	404,549	62,903	125,521		341,931
Leased property under capital leases	853,134	476,924		(354,219)	975,839
Total depreciable capital assets	13,947,387	616,661	367,193	1,545,899	15,742,754
Less accumulated depreciation for:					
Infrastructure	439,698	185,897			625,595
Buildings	2,073,951	96,368		13,200	2,183,519
Improvements other than buildings	77,780	16,578			94,358
Mobile equipment	2,671,262	128,318	223,568	153,481	2,729,493
Furniture and equipment	365,859	17,994	77,818		306,035
Leased property under capital leases	258,125	87,826		(153,481)	192,470
Total accumulated Depreciation	5,886,675	532,981	301,386	13,200	6,131,470
Total depreciable capital assets, net	8,060,712	83,680	65,807	1,532,699	9,611,284
Governmental activities capital assets, net	\$ 13,207,566	3,256,766	65,807	369,804	16,768,329

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	487,941				487,941
Furniture and equipment	29,000				29,000
Leased property under capital leases	172,315	95,261			267,576
Total depreciable capital assets	689,256	95,261	0	0	784,517
<u>Less accumulated depreciation for:</u>					
Mobile equipment	413,714	9,153			422,867
Furniture and equipment	3,729	3,728			7,457
Leased property under capital leases	46,526	24,082			70,608
Total accumulated depreciation	463,969	36,963	0	0	500,932
Total depreciable capital assets, net	225,287	58,298	0	0	283,585
Business-type activities capital assets, net	\$ 225,287	58,298	0	0	283,585

* The adjustments made to capital assets consisted of reclassifying completed construction in progress to the proper asset category, reclassifying paid off capital leases to the proper asset category, and the prior period adjustment to capital assets described in Note 3 to the financial statements.

Component unit: Calhoun County Health Services

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 24,800				24,800
Construction in progress		38,660			38,660
Total non-depreciable capital assets	24,800	38,660	0	0	63,460
<u>Depreciable capital assets:</u>					
Land improvements	285,875				285,875
Buildings and improvements	4,105,777				4,105,777
Fixed equipment	466,464				466,464
Major moveable equipment:					
Under capital lease	393,684				393,684
Other	2,226,991				2,226,991
Minor equipment	2,849				2,849
Automobiles:					
Under capital leases	103,450	74,675			178,125
Capital leases	215,111				215,111
Total depreciable capital assets	7,800,201	74,675	0	0	7,874,876

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Less accumulated depreciation for:</u>					
Land improvements	264,317	18,107			282,424
Buildings and improvements	2,974,334	143,856			3,118,190
Fixed equipment	432,915	3,345			436,260
Major moveable equipment:					
Under capital lease	198,025	70,617			268,642
Other	1,876,841	86,640			1,963,481
Minor equipment					
Automobiles:					
Under capital leases	50,243	30,747			80,990
Capital leases	298,257	6,571			304,828
 Total accumulated depreciation	 6,094,932	 359,883			 6,454,815
 Total depreciable capital assets, net	 1,705,269	 (285,208)			 1,420,061
 Component unit capital assets, net	 \$ 1,730,069	 (246,548)	 0	 0	 1,483,521

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 22,160
Public safety	34,051
Public works	412,114
Health and welfare	54,366
Culture and recreation	10,290
 Total governmental activities depreciation expense	 \$ 532,981
Business-type activities:	
Solid waste	\$ 36,963
 Total business-type activities depreciation expense	 \$ 36,963

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Courthouse construction	\$ 0	11/16/2012
BR-0812(10)B	2,019,987	08/06/2013

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis.

The County has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000, and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2011 and 2012:

	<u>2011</u>	<u>2012</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 72,800	134,912
Plus: Incurred Claims (Including IBNRs)	1,192,986	985,989
Less: Claims Payments	<u>(1,130,874)</u>	<u>(995,943)</u>
Unpaid Claims, End of Fiscal Year	\$ <u>134,912</u>	<u>124,958</u>

(9) Operating Leases.

As Lessee:

On November 22, 2011, Calhoun County entered into an operating lease with Three Rivers Planning Development District, Inc. for the lease of a computer system and operating software owned by Three Rivers Planning Development District for the purpose of maintaining county records. The operating lease stipulated the lessee would pay \$12,000 per year in lease payments commencing October 1, 2011 for a term of 5 years. Total costs for said lease was \$12,000 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2013	\$ 12,000
2014	12,000
2015	12,000
2016	<u>12,000</u>
Total Minimum Payments Required	\$ <u>48,000</u>

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 975,839	267,576
Less: Accumulated depreciation	<u>(192,470)</u>	<u>(70,608)</u>
Leased Property Under Capital Leases	<u>\$ 783,369</u>	<u>196,968</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 253,188	14,299	58,971	3,630
2014	134,903	8,358	54,567	1,790
2015	98,765	5,242	24,528	658
2016	94,424	2,715	10,422	72
2017	<u>54,674</u>	<u>484</u>		
Total	<u>\$ 635,954</u>	<u>31,098</u>	<u>148,488</u>	<u>6,150</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road bonds, series 2008	\$ 135,000	3.30%	02/2018
Public improvement bonds, Series 2009	1,810,000	4.00-5.60%	03/2029
Building bonds, Series 2009	<u>3,000,000</u>	3.875%	05/2032
Total General Obligation Bonds	<u>\$ 4,945,000</u>		
B. Capital Leases:			
New Holland tractor	\$ 833	3.35%	10/2012
2009 Mack truck	10,696	3.19%	02/2013
Pothole patcher	9,226	3.19%	03/2013
7000 gallon storage tank	6,631	3.19%	03/2013
2011 Mack truck	92,329	2.85%	07/2013
Case tractor with backhoe	23,917	3.27%	07/2014
2011 Mack truck	54,369	2.99%	09/2014
2011 John Deere 6115D tractor	38,660	2.29%	02/2016
2 Caterpillar 12M motorgraders	327,204	2.69%	04/2017
Case 580SN backhoe	<u>72,089</u>	2.21%	05/2017
Total Capital Leases	<u>\$ 635,954</u>		

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans (CAP Loans):			
Feeder pig facility	\$ 8,864	4.00%	07/2013
Feeder pig facility #2	23,546	4.95%	07/2014
Horse arena	12,978	3.00%	07/2014
Total Other Loans	\$ 45,388		

Business-type Activities:

Capital Leases:			
2009 Mack garbage truck	\$ 66,471	3.27%	07/2014
2011 Isuzu garbage truck	82,017	2.77%	02/2016
Total Capital Leases	\$ 148,488		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 186,887	204,685	28,729	1,000
2014	196,126	196,249	16,659	215
2015	205,550	187,447		
2016	215,168	178,295		
2017	219,988	168,880		
2018 – 2022	1,179,949	698,368		
2023 – 2027	1,441,316	436,423		
2028 – 2032	1,300,016	134,261		
Total	\$ 4,945,000	2,204,608	45,388	1,215

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issue bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 6.02% of the latest property assessments.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 97,637		2,627		95,010	
General obligation bonds	2,030,000	3,000,000	85,000		4,945,000	186,887
Capital leases	341,561	476,924	182,531		635,954	253,188
Other loans	1,301,698	1,175,107	2,431,417		45,388	28,729
Total	\$ 3,770,896	4,652,031	2,701,575	0	5,721,352	468,804
Business-type Activities:						
Compensated absences	\$ 17,340	4,186			21,526	
Capital leases	101,085	95,261	47,858		148,488	58,971
Total	\$ 118,425	99,447	47,858	0	170,014	58,971
Component Unit: Calhoun County Health Services						
Revenue bonds	\$ 190,531		38,226		152,305	40,181
Capital leases	303,293	74,675	168,275		209,693	140,536
Total	\$ 493,824	74,675	206,501	0	361,998	180,717

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Calhoun Transportation Services, Youth Court, Reappraisal, Volunteer Fire, Emergency Management and Solid Waste Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
Airport Grant Fund	\$ 2,850
Law Library Fund	1,399
Countywide Road Fund	12,442

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

CALHOUN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

Solid Waste Revenue Refunding Bonds – In 1998, Solid Waste Revenue Refunding Bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In 2011, Three Rivers Solid Waste Management Authority issued \$4,235,000 of Solid Waste Revenue Bonds to refund the 1998 bonds and to finance other landfill projects. As part of the solid waste disposal service agreement between Calhoun County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.02%) of the \$4,235,000 refunding bonds balance at September 30, 2012, is \$254,947.

(14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2012
Nursing home notes	\$ 152,305

(15) Related Organizations.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 1 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 2 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Topashaw Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 20 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 13 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Persimmon Creek Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 25 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Otoucalofa Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(16) Joint Venture.

The County participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library is governed by a five-member board appointed by the Boards of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The County appropriated \$73,154 for the joint venture in fiscal year 2012. Complete financial statements for the Dixie Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the 40 members of the board of directors. The County appropriated \$19,730 for support of the district in fiscal year 2012.

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Calhoun County Board of Supervisors appoints one of the six members of the board of commissioners. The County appropriated \$25,057 for Communicare in fiscal year 2012.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Calhoun County Board of Supervisors appoints two of the 23 members of the college board of trustees. The County appropriated \$147,384 for maintenance and support of the college in fiscal year 2012.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The County did not appropriate any monies for support of the authority in fiscal year 2012. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

(18) Defined Benefit Pension Plan.

Plan Description. Calhoun County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established by state law and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$269,227, \$252,325 and \$257,802, respectively, equal to the required contributions for each year.

CALHOUN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(19) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Calhoun County evaluated the activity of the County through February 4, 2015, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
5/2/2013	4.30%	\$ 22,518	Capital lease	Ad valorem taxes
7/2/2013	2.17%	49,750	Capital lease	Ad Valorem taxes
10/10/2013	1.91%	154,109	Capital lease	Ad Valorem taxes
11/1/2013	2.07%	68,383	Capital lease	Solid waste fees
5/14/2014	2.09%	24,388	Capital lease	Drug seized funds
7/9/2014	1.91%	161,850	Capital lease	Solid waste fees

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,414,150	2,495,840	2,841,626	345,786
Licenses, commissions and other revenue	60,000	60,000	50,955	(9,045)
Fines and forfeitures	280,000	280,000	280,916	916
Intergovernmental revenues	480,000	480,000	669,627	189,627
Charges for services			33,410	33,410
Interest income	90,000	90,000	7,270	(82,730)
Miscellaneous revenues	37,000	37,000	147,967	110,967
Total Revenues	<u>3,361,150</u>	<u>3,442,840</u>	<u>4,031,771</u>	<u>588,931</u>
EXPENDITURES				
Current:				
General government	2,897,547	2,802,785	2,798,812	3,973
Public safety	779,400	930,150	927,188	2,962
Health and welfare	150,651	153,751	145,058	8,693
Education	221,000	228,700	227,663	1,037
Conservation of natural resources	72,471	67,372	66,985	387
Economic development and assistance	19,730	19,730	19,730	
Total Expenditures	<u>4,140,799</u>	<u>4,202,488</u>	<u>4,185,436</u>	<u>17,052</u>
Excess of Revenues over (under) Expenditures	<u>(779,649)</u>	<u>(759,648)</u>	<u>(153,665)</u>	<u>605,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			27,680	27,680
Transfers out		90,000	139,579	49,579
Total Other Financing Sources and Uses	<u>0</u>	<u>90,000</u>	<u>167,259</u>	<u>77,259</u>
Net Change in Fund Balance	(779,649)	(669,648)	13,594	683,242
Fund Balances - Beginning			1,833,515	1,833,515
Fund Balances - Ending	<u>\$ (779,649)</u>	<u>(669,648)</u>	<u>1,847,109</u>	<u>2,516,757</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CALHOUN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 80,000	80,000	39,987	(40,013)
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>39,987</u>	<u>(40,013)</u>
EXPENDITURES				
Current:				
Public works	80,000	80,000	47,236	32,764
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>47,236</u>	<u>32,764</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>(7,249)</u>	<u>(7,249)</u>
Net Change in Fund Balance	0	0	(7,249)	(7,249)
Fund Balances - Beginning	<u>39,239</u>	<u>39,239</u>	<u>46,488</u>	<u>7,249</u>
Fund Balances - Ending	<u>\$ 39,239</u>	<u>39,239</u>	<u>39,239</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CALHOUN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>State Aid Road Fund</u>
Budget (Cash Basis)	\$ 13,594	(7,249)
Increase (Decrease)		
Net adjustments for revenue accruals	(272,627)	61,316
Net adjustments for expenditure accruals	<u>64,930</u>	<u>(54,067)</u>
GAAP Basis	<u>\$ (323,963)</u>	<u>0</u>

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY

SUPPLEMENTAL INFORMATION

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Rural Development			
ARRA - Community facilities loans and grants (Community Programs) (Direct)*	10.780	N/A	\$ 1,796,516
ARRA - Community facilities loans and grants (Community Programs) (Direct)*	10.780	N/A	83,105
Total U.S. Department of Agriculture			<u>1,879,621</u>
U.S. Department of Defense/Department of the Army			
Flood control projects (Direct)	12.106	N/A	<u>86,046</u>
U.S. Department of Housing and Urban Development/ Office of Community Planning and Development			
Economic development initiative - special project, neighborhood initiative and miscellaneous grants (Direct)*	14.251	N/A	** <u>536,777</u>
U.S. Department of Transportation/Federal Aviation Administration			
Airport improvement program (Direct)	20.106	N/A	25,650
U.S. Department of Transportation/Federal Highway Administration			
Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>29,300</u>
Total U. S. Department of Transportation			<u>54,950</u>
U. S. Department of Health and Human Services/Administration for Children and Families			
Passed-through the Mississippi Department of Human Services			
Passed-through Three Rivers Planning and Development District			
Social services block grant	93.667	12-CALH-XX-TR	<u>34,894</u>
U. S. Department of Homeland Security			
Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grant	97.042	N/A	<u>7,866</u>
Total Expenditures of Federal Awards			\$ <u><u>2,600,154</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - ARRA - Community Facilities Grants and Loans (Community Programs)

The value of federal awards expended in the form of loans made to Calhoun County, Mississippi as of September 30, 2012, is \$3,000,000.

* Denotes major federal award program

**This amount includes \$516,777 in expenditures that were not recognized in the County's financial statements.

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY

OTHER INFORMATION

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Earnest M. Fox	Supervisor District 1	Western Surety Company	\$100,000
James Brooks Rogers, Jr.	Supervisor District 2	FCCI Insurance Company	\$125,000
David Gwin Longest	Supervisor District 3	FCCI Insurance Company	\$100,000
Barney J. Wade	Supervisor District 4	Western Surety Company	\$100,000
Tony Morgan	Supervisor District 5	Western Surety Company	\$100,000
Romona Tillman	Chancery Clerk	Western Surety Company	\$100,000
Sheryl Flemming	Purchase Clerk	Western Surety Company	\$75,000
Romona Tillman	Receiving Clerk	Western Surety Company	\$100,000
Patricia Patterson	Receiving Clerk	Western Surety Company	\$10,000
Charles W. Jones	Receiving Clerk	Western Surety Company	\$10,000
Tony Moore	Receiving Clerk	RLI Insurance Company	\$10,000
Craig Gillis	Receiving Clerk	RLI Insurance Company	\$10,000
Barney McFall	Receiving Clerk	Western Surety Company	\$10,000
Larry D. Bailey	Receiving Clerk	Western Surety Company	\$10,000
Cassie F. Bryant	Inventory Control Clerk	Western Surety Company	\$75,000
Benny R. Langford	Constable	Western Surety Company	\$25,000
James Vanlandingham	Constable	FCCI Insurance Company	\$25,000
Carlton Baker	Circuit Clerk	State Farm	\$100,000
L. Sinatra Cruthirds	Deputy Circuit Clerk	Western Surety Company	\$75,000
Penny D. Nichols	Deputy Circuit Clerk	Western Surety Company	\$75,000
Deborah Harrelson	Deputy Circuit Clerk	Western Surety Company	\$75,000
Dominique Shaw	Deputy Circuit Clerk	Western Surety Company	\$75,000
Greg Pollan	Sheriff	Western Surety Company	\$100,000
Juston Robertson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers	\$15,000
Bryan S. Roberts	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$25,000
Odie Lee Vance	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$25,000
Earl Wayne Stone	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$25,000
Wendell Keith Thacker	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$25,000
Bedford D. Poynor	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety Company	\$25,000
Jim Vance	Justice Court Judge	Western Surety Company	\$10,000
Markial Scott Ferguson	Justice Court Judge	Western Surety Company	\$10,000
Tracie McGuirt	Justice Court Clerk	Western Surety Company	\$50,000
Teresa Warner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Billy K. Malone	Tax Collector-Assessor	Travelers	\$100,000
Shelia Winter	Deputy Tax Collector/Assessor	Western Surety Company	\$10,000
Sherry Hardin White	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000
Peggy Neese	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000
Wanda Harrison	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY

SPECIAL REPORTS

CALHOUN COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Calhoun County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 4, 2015. Our report includes a qualified opinion on the General Fund because the County did not maintain adequate subsidiary records documenting the valuation of fines receivable, net and the aging of these fines receivable. Except for the limitation related to the qualified opinion on the General Fund, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Calhoun County Health Services. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Calhoun County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 12-1, 12-2, 12-3, 12-4, 12-5, 12-6 and 12-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Calhoun County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 4, 2015, included within this document.

Calhoun County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2015



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Calhoun County, Mississippi

Compliance

We have audited the compliance of Calhoun County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Calhoun County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Calhoun County, Mississippi's management. Our responsibility is to express an opinion on Calhoun County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calhoun County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Calhoun County, Mississippi's compliance with those requirements.

As described in items 12-8, 12-9, 12-10 and 12-11 in the accompanying Schedule of Findings and Questioned Costs, Calhoun County, Mississippi, did not comply with compliance requirements regarding Davis Bacon Act and Special Tests and Provisions that are applicable to its ARRA – Community Facilities Loans and Grants program. Compliance with such requirements is necessary, in our opinion, for Calhoun County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Calhoun County, Mississippi, did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on its ARRA – Community Facilities Loans and Grants program.

As described in items 12-12, 12-13 and 12-14 in the accompanying Schedule of Findings and Questioned Costs, Calhoun County, Mississippi, did not comply with compliance requirements regarding Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management and Reporting that are applicable to its Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants program. Compliance with such requirements is necessary, in our opinion, for Calhoun County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Calhoun County, Mississippi, did not comply in all material respects with the requirements referred to above that could have a direct and material effect on its Economic Development Initiative - Special Project Neighborhood Initiative and Miscellaneous Grants program.

Internal Control Over Compliance

The management of Calhoun County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Calhoun County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-8, 12-9, 12-10, 12-11, 12-12, 12-13 and 12-14 to be material weaknesses.

Calhoun County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Calhoun County, Mississippi

We have examined Calhoun County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Calhoun County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Calhoun County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. The Inventory Control Clerk should maintain an inventory control system that includes correct values for all assets.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. This system should include recording all additions and deletions of capital assets in the system including Construction in Progress. Audit procedures indicated there were assets on inventory that were misstated by \$323,004. Failure to record assets at the proper values resulted in a material misstatement in the financial statement.

Recommendation

The Inventory Control Clerk should ensure all assets are added to the county inventory at the proper values.

Inventory Control Clerk's Response

I will Comply.

Receiving Clerks.

2. Official bonds for Receiving Clerks were not in compliance with applicable statutes.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerks to execute a bond for \$75,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Receiving Clerks were bonded for \$10,000. The Receiving Clerks' bonds are renewed each year with a continuation certificate or for an indefinite term rather than written for the term. The failure to bond the Receiving Clerks for the required amount and required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Receiving Clerks should obtain bonds for \$75,000 every four years concurrent with the election cycle of the Board of Supervisors.

Receiving Clerks' Response

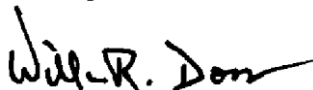
We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Calhoun County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Calhoun County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Calhoun County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2015

CALHOUN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
4/3/2012	Rip rap	\$.12 per ton per loaded mile	Booneville Trucking	\$.117 per ton per loaded mile	Townes Trucking would not haul rip rap in his trucks - only limestone.

CALHOUN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

CALHOUN COUNTY

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2012

Schedule 3

Our test results did not identify any purchases made noncompetively from a sole source.

CALHOUN COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi (the County) for the year ended September 30, 2012, we considered Calhoun County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Calhoun County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 4, 2015, on the financial statements of Calhoun County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Board of Supervisors' bonds should be for the term of office.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in the amount required by law shall be secured at the beginning of each new term of office or every four years, whichever is less. One board member's bond was written for a continuous period rather than the term. Failure to bond the members of the Board of Supervisors for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

Each member of the Board of Supervisors should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

Board of Supervisors' Response

The Board of Supervisors will work to ensure that the bonds are for every four years concurrent with the election cycle.

2. The claim docket was not signed by the board president or vice president.

Finding

Section 19-13-31, Miss. Code Ann. (1972), states the President, or the vice president in the absence or disability of the president, of the board of supervisors shall check the claims docket at the close of each day's business and shall verify the correctness of all docket entries made during the day. He shall sign his name at the end of the docket entries covering the day's business, but it shall not be necessary that he sign the claims docket under each claim allowed or otherwise disposed of. The board shall enter on its minutes approved the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the number as they appear on the claims docket. Our audit procedures revealed that the claim dockets were not signed by the president or the vice president verifying correctness of the docket entries. Failure to review and sign the claim docket verifying correctness could result in the loss of public funds.

Recommendation

The board president or the vice president in the absence of the president should sign the claim dockets verifying their correctness.

Board of Supervisors' Response

The board president or vice president will work to ensure that the claim dockets are signed and verified.

Deputy Tax Assessors/Collectors.

3. Official bonds for Deputy Tax Assessors/Collectors should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Deputy Tax Assessor/Collectors' bonds are renewed each year with a continuation certificate rather than written for the term. The failure to bond the Deputy Tax Assessor/Collectors for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Deputy Tax Assessor/Collectors should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

Deputy Tax Assessor/Collectors' Response

We will comply.

Deputy Circuit Clerks.

4. Official bonds for Deputy Circuit Clerks should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

The Deputy Circuit Clerks' bonds were written for a continuous or indefinite time period rather than the term. The failure to bond the Deputy Circuit Clerks for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Deputy Circuit Clerks should obtain a bond every four (4) years concurrent with the election cycle of the board of supervisors.

Deputy Circuit Clerks' Response

We will comply.

Justice Court.

5. Justice Court Judges were not sufficiently bonded.

Finding

Section 9-11-7, Miss. Code Ann. (1972), states every person elected a Justice Court Judge shall, before he enters on the duties of the office, take the oath of office prescribed by Section 155 of the Constitution, and give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers, in a penalty not less than Fifty Thousand Dollars (\$50,000.00). The Justice Court Judges were bonded for \$10,000. Failure to bond the Justice Court Judges for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

The Justice Court Judges' should obtain bonds for \$50,000 as required by law.

Justice Court Judges' Response

We will comply.

Sheriff.

6. Deputy Sheriffs' bonds were not in compliance with applicable statutes.

Finding

Section 45-5-9, Miss. Code Ann. (1972), states each deputy hired under this section shall give bond, with sufficient surety, to be payable conditioned and approved as provided by law, in a penalty not less than \$50,000. Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Deputy Sheriffs bonds were for \$25,000. The Deputy Sheriffs' bonds are renewed each year with a continuation certificate rather than written for the term. The failure to bond the Deputy Sheriffs for the required amount and required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Sheriff should ensure a bond in the amount of \$50,000 is executed for each Deputy Sheriff hired under this statute and every four years concurrent with the election cycle of the board of supervisors.

Sheriff's Response

I will comply.

Purchase Clerk.

7. Purchase Clerk's bond should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Purchase Clerk's bond is renewed each year with a continuation certificate rather than written for the term. The failure to bond the Purchase Clerk for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Purchase Clerk should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

Purchase Clerk's Response

I will comply.

Constables.

8. Constables' bonds were not in compliance with applicable statutes.

Finding

Section 19-19-3, Miss. Code Ann. (1972), states Constables shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officials, in a penalty not less than \$50,000. Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Constables' were bonded for \$25,000. The Constables' bonds are renewed each year with a continuation certificate rather than written for the term. The failure to bond the Constables for the required amount and required term would limit the amount available for recovery if a loss occurred.

Recommendation

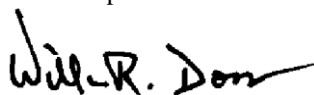
The Constables should obtain bonds for \$50,000 every four years concurrent with the election cycle of the board of supervisors.

Constables' Response

I will comply.

Calhoun County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2015

CALHOUN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CALHOUN COUNTY

(This page left blank intentionally.)

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component unit	Unqualified
General Fund	Qualified
State Aid Fund	Unqualified
USDA \$3 Million Courthouse Construction Loan Fund	Unqualified
2011 \$3 Million Courthouse G.O. Bond Issue Fund	Unqualified
Solid Waste Fund	Unqualified
\$900,000 HUD Grant Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs:

ARRA – Community Facilities Loans and Grants (Community Programs) CFDA #10.780	Adverse
Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants CFDA #14.251	Adverse
6. Any audit finding(s) disclosed that are required to be reported in accordance with
Section ____ .510(a) of OMB Circular A-133?) Yes
7. Federal programs identified as major programs:
 - a. ARRA – Community Facilities Loans and Grants (Community Programs)
CFDA #10.780
 - b. Economic Development Initiative – Special Project, Neighborhood
Initiative and Miscellaneous Grants, CFDA #14.251

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Federal Awards:

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements, proper classification of funds, and proper posting of transactions. We noted the following deficiencies in the financial statement preparation and reporting:

- a. In the General Fund, intergovernmental revenue totaling \$23,123 were misclassified as miscellaneous revenue.
- b. Balances and transactions of the Reappraisal Escrow Fund were reported in the Aggregate Remaining Fund Information. This resulted in the General Fund's assets being understated \$79,823, liabilities understated \$70,000, revenues understated \$72,473 and expenditures understated \$104,500.
- c. Interfund transfers within the special revenue funds were eliminated. Failure to properly report all interfund transfers within the special revenue funds resulted in the Aggregate Remaining Fund Information opinion unit transfers being understated in the amount of \$151,490.
- d. In the General Fund, the amount reported for property tax receivable was overstated by \$10,000 due to other taxes being included in property tax receivables. In the Aggregate Remaining Fund Information opinion unit, property tax receivables were overstated by \$148,375 due to mobile home taxes being included in property tax receivable. In the Governmental Activities opinion unit, property tax receivable was overstated by \$158,375 due to other taxes and mobile home taxes being included in property tax receivable - type.
- e. In the Business Activities Opinion Unit and the Enterprise Opinion Unit, accounts receivable, net was understated due to prepaid solid waste bills not being properly classified as unearned revenue.
- f. Some state aid road revenues and expenditures for engineering services were not posted to the financial statements of the county. As a result, intergovernmental revenues were understated \$23,543 and public works expense were understated \$23,543 in the State Aid Fund opinion unit and public works expense and operating grants-public works were overstated \$23,543 in the Governmental Activities.
- g. In the Aggregate Remaining Fund Information opinion unit, transfers out were overstated \$30,690 as result of prior year interfund loans for negative cash being classified as transfers.
- h. In the General Fund intergovernmental revenues and education expenses were overstated by \$227,663 due to homestead exemption paid to schools not being netted. In the Governmental Activities opinion unit, grants and contributions not restricted to specific programs and education expenses were also overstated by \$227,663.
- i. In the General Fund and Governmental Activities opinion units, charges for services totaling \$37,350 were overstated due to the misclassification of a transportation grant of \$34,894 and donations of \$2,456.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

- j. GASB Statement No. 34 specifies that funds meeting certain requirements be separated into major funds. The Courthouse Construction Fund was presented as a major fund in the financial statements. This fund actually consisted of the USDA \$3 million Courthouse Construction Loan Fund, the 2011 \$3 million Courthouse G.O. Bond Issue Fund, and the \$900,000 HUD Grant Fund. These funds were combined into one single fund and reported as such in the financial statements. Audit procedures indicated that these funds should have been reported as separate major funds based on GASB Statement No. 34 criteria.
- k. During the preparation of the financial statements, the following errors were noted and corrected regarding prior year balances: Other Receivables were overstated by \$95,065 and internal balances were misstated by \$57,774.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

Failure to properly report assets, liabilities, fund balances, revenues, expenditures, and transfers and to properly present funds in accordance with GASB Statement No. 34 could result in inaccurate financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper posting of adjustments to assets, liabilities, revenues, expenditures and transfers. Funds should also be presented in the financial statements in accordance with criteria established by GASB Statement No. 34.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

- 12-2. Controls over federal revenues and expenditures should be strengthened.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures of each federal grant received. The County did not have adequate controls in place to ensure it reported the correct federal grant expenditures on the Schedule of Expenditures of Federal Awards for the ended September 30, 2012. As a result, corrections were proposed by the auditor and made by the County to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Federal Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of omitting a federal grant on the Schedule of Federal Awards.

Recommendation

The County should implement controls to ensure it properly maintains adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Chancery Clerk.

Material Weakness

- 12-3. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collection and disbursement functions in the Chancery Clerk's office were not adequately segregated for effective internal controls. The bookkeeper receipts monies, makes deposits, reconciles bank statements, sets up new vendors, enters claims, performs check runs, and signs checks. Lack of adequate segregation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Chancery Clerk's office or that there is external oversight over the operations of the Chancery Clerk's office.

Chancery Clerk's Response

See Auditee's Corrective Action Plan

Material Weakness

- 12 - 4. Processing of payroll and other payroll duties should be adequately segregated.

Finding

An effective system of internal controls should include an adequate segregation of duties for payroll preparation. The payroll clerk sets up new employees, makes changes to existing employees' master data, runs the payroll, signs the checks and prepares the checks for distribution. Failure to have an adequate segregation of duties for payroll preparation could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the processing of payroll.

Chancery Clerk's Response

See Auditee's Corrective Action Plan.

Tax Assessor/Collector.

Material Weakness

- 12-5. Daily check-up of collections should be consistently performed.

Finding

An effective system of internal control over tax collections should include a daily check-up that is reconciled to collections. Audit procedures indicated collections were not reconciled to receipts on a daily basis. Failure to reconcile collections to receipts issued on a daily basis could result in the loss or misappropriation of public funds.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Recommendation

A daily check-up of collections should be performed every working day.

Tax Assessor/Collector's Response

See Auditee's Corrective Action Plan

Circuit Clerk.

Material Weakness

- 12-6. The Circuit Clerk should maintain adequate subsidiary records documenting fines receivable.

Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Management did not maintain adequate subsidiary records documenting the completeness and valuation of the fines receivable for Circuit Court and the aging of fines receivable. Furthermore, these fines receivable included restitution, court costs and fees. Therefore, the opinion in the Independent Auditors' Report for the General Fund is qualified because we were not able to satisfy ourselves as to the fair presentation of the fines receivable.

Recommendation

The Circuit Clerk should establish procedures documenting the completeness and valuation of fines receivable records, including the aging schedules for the Circuit Court fines receivables. These fines receivable amounts should include fines only.

Circuit Clerk's Response

See Auditee's Corrective Action Plan

Inventory Control Clerk.

Material Weakness

- 12-7. The Inventory Control Clerk should record all capital assets at the correct value.

Finding

An effective system of internal control over capital assets should include the proper valuation of assets. Audit procedures indicated that capital assets were understated by \$323,004 due to an error in recording certain county property. An adjustment was proposed by the auditor and made with the County's approval to correct these misstatements. Failure to correctly record all assets in the County could result in the financial statements being materially misstated.

Recommendation

The Inventory Control Clerk should ensure all assets are added to the County inventory at the proper values.

Inventory Control Clerk's Response

See Auditee's Corrective Action Plan

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Material Weakness

Material Noncompliance

12-8. Controls over monitoring wages paid in accordance with the Davis-Bacon Act should be strengthened.

Finding

Program: U. S. Department of Agriculture/Rural Development, CFDA #10.780
ARRA – Community Facilities Loans and Grants (Community Programs)

Compliance Requirement: Davis Bacon

Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur as determined by the Secretary of Labor in accordance with Subchapter IV of Chapter 31 of Title 40, United States Code. Audit procedures indicated there was no formal process in place to directly monitor compliance with Davis-Bacon Act requirements and it was noted that numerous employees were not paid according to the applicable wage scales. Failure to monitor wage scales resulted in the underpayment of wages to employees.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should establish policies and procedures to ensure that appropriate compliance monitoring measures are in place with respect to Davis-Bacon Act wage requirements.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

12-9. Documentation and controls should be strengthened over special tests and provisions.

Finding

Program: U. S. Department of Agriculture/Rural Development, CFDA #10.780
ARRA - Community Facilities Loans and Grants (Community Programs)

Compliance Requirement: Special Tests and Provisions

Item #5b in the Letter of Conditions, agreed to by the County in Form RD 1942-46, "Letter of Intent to Meet Conditions" requires the County to establish a separate bank account, to be known and hereafter referred to as the Construction Account, with a participating 31 CFR Part 202 collateral depository, federal agency, or Federal Reserve Bank acting as a fiscal agent in the United States. All project funds are required to be deposited into this account. The account shall be used solely for the purpose of paying authorized costs of the project as outlined in the project budget. Audit procedures indicated these funds were deposited into the general depository bank account instead of a separate bank account as required by the Letter of Conditions..

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

In the future, the Board of Supervisors should take steps to establish a separate bank account as required by the Letters of Conditions from USDA-Rural Development - ARRA - Community Facilities Loans and Grants - Recovery Act.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

- 12-10. Documentation and controls should be strengthened over special tests and provisions.

Finding

Program: U. S. Department of Agriculture/Rural Development, CFDA #10.780
ARRA - Community Facilities Loans and Grants (Community Programs)

Compliance Requirement: Special Tests and Provisions

Buy America Act, "Title XVI, Section 1605 of ARRA requires the use of American-made steel, iron and manufactured goods for the construction, alteration, maintenance, or repair of public buildings or public works." Based on audit test work, there was no documentation to support the County's compliance with the Buy American Act. Controls were not in place to ensure American-made steel, iron and manufactured goods were used. Lack of documentation and controls over federal grant activity resulted in noncompliance and could result in a loss of public funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should ensure there is documentation and controls in place to oversee the compliance of federal grant activity in the future.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

- 12-11. Documentation and controls should be strengthened over special tests and provisions.

Finding

Program: U. S. Department of Agriculture/Rural Development, CFDA #10.780
ARRA - Community Facilities Loans and Grants (Community Programs)

Compliance Requirement: Special Tests and Provisions

CALHOUN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

Item #5a in the Letter of Conditions as agreed to by the County in Form RD 1942-46, "Letter of Intent to Meet Conditions" specifies that the applicant's contributions in the amount of \$2,450,000 will be considered as the first funds expended. After providing for all authorized cost and change orders, any remaining Rural Development loan funds will be refunded to Rural Development. Audit procedures indicated the County only expended \$2,352,680 prior to RD funds being expended.

Questioned Costs: \$97,320

Recommendation

In the future the Board of Supervisors should take steps to ensure County funds are expended prior to federal funds being expended when required.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

- 12-12. Internal controls over activities allowed or unallowed and allowable costs/cost principles should be strengthened.

Finding

Program: U. S. Department of Housing and Urban Development/Office of Community Planning and Development, CFDA #14.251
Economic Development Initiative – Special Projects, Neighborhood Initiative and Miscellaneous Grants

Compliance Requirement: Activities Allowed or Unallowed
Allowable Cost/Cost Principles

OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C – Basic Guidelines, Part 3 – Allocable Costs, item c. states, "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons." Internal controls were not in place to ensure that federal funds were drawn down in accordance with federal cost principle requirements. The expenditures submitted as supporting documentation for the drawdown of funds for this HUD grant in the amount of \$516,777 were the same expenditures that had already been submitted for drawdown of funds for the USDA Rural Development – ARRA Community Facilities Loans and Grants (Community Programs), CFDA #10.780, and received by the County. Funds drawn for this HUD grant were not in compliance with OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C – Basic Guidelines, Part 3 – Allocable Costs, item c.

Questioned Costs: \$516,777

Recommendation

Internal controls should be put in place to ensure that drawdowns of federal funds are prepared and submitted in accordance with the provisions of OMB Circular A-87. Proper timely resolution of this issue with HUD officials should be pursued by county government officials.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

12-13. Internal controls over cash management should be strengthened.

Finding

Program: U. S. Department of Housing and Urban Development/Office of Community Planning and Development, CFDA #14.251
Economic Development Initiative – Special Project Neighborhood Initiative and Miscellaneous Grants

Compliance Requirement: Cash Management

OMB Circular A-110 (2 CFR section 215.22) states payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205. Internal controls were not in place to ensure that federal funds were expended timely. Audit procedures indicated no HUD grant federal funds were expended. All federal funds received by the County remained in cash in the bank at September 30, 2012. These funds have been in the bank for over 10 months. Funds drawn for this HUD grant were not in compliance with the cash management compliance requirement.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors' should implement procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

Material Weakness

Material Noncompliance

12-14. Controls over reporting should be strengthened.

Finding

Program: U. S. Department of Housing and Urban Development/Office of Community Planning and Development, CFDA #14.251
Economic Development Initiative – Special Project Neighborhood Initiative and Miscellaneous Grants

Compliance Requirement: Reporting

CALHOUN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

Per the grant agreement with the U.S. Department of Housing and Urban Development, all requests submitted for federal reimbursement should be complete, accurate and appropriately supported. During audit test work the following instances were noted indicating the requests for reimbursement were not accurate.

- a. The request for cash indicated cash balance on hand was \$0; however, according to the County's records there is cash on hand of \$839,528 including \$692 in interest.
- b. The request for cash indicated that the County made expenditures totaling \$838,836; however according to the County's records there were no expenditures.
- c. All six requests for cash indicated incorrect amounts for expenditures.

Requests submitted for federal reimbursement should be complete, accurate and appropriately supported. Failure to submit accurate reports could result in the loss of federal funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should implement procedures to ensure request for reimbursement are complete, accurate and appropriately supported.

Board of Supervisors' Response

See Auditee's Corrective Action Plan

CALHOUN COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CALHOUN COUNTY

(This page left blank intentionally.)

**Board of Supervisors
Calhoun County, Mississippi**

CHANCERY CLERK
Romona Tillman

**P.O. Box 36
Pittsboro, Mississippi 38951**

ATTORNEY
Sonny Clanton

Earnest Fox, Dist. 1, Vice President
J.B. Rogers, Jr., Dist. 2
Gwin Longest, Dist. 3
Barney Wade, Dist. 4, President
Tony Morgan, Dist. 5
Sheryl Fleming, Purchasing Agent

CORRECTIVE ACTION PLAN

Fiscal Year Ending September 30, 2012

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Calhoun County respectfully submits the following corrective action plan for the year ended September 30, 2012.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

12-1 Corrective Action Planned:

The Board of Supervisors shall implement the system of internal control as recommended.

Anticipated Completion Date:

60 days from the date of this response.

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-2 Corrective Action Planned:

The Chancery Clerk will design and implement controls to establish and maintain records of revenues and expenditures for each future federal grant received.

Anticipated Completion Date:

Prior to the receipt of any future Federal funds.

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-3 Corrective Action Planned:

I will work to ensure there is oversight over operations in the Chancery Clerk's office in the future.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-4 Corrective Action Planned:

I will work to ensure there is oversight over operations of payroll in the future..

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-5 Corrective Action Planned:

We will perform check-up sheets on a daily basis in the future.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Bill Malone

12-6 Corrective Action Planned:

I will ensure the reports are run with proper information included in the future.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Carlton Baker

12-7 Corrective Action Planned:

Inventory Control Clerk has been made aware of this issue and has acknowledged that County assets will be properly entered on the books.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

SECTION 3: FEDERAL AWARD FINDINGS

12-8 Corrective Action Planned:

The Board of Supervisors will establish the proper policies and procedures and employ a professional to monitor compliance with Davis-Bacon Act wage requirements.

Anticipated Completion Date:

Prior to any future project with Davis-Bacon wage requirements

Name of Contact Person Responsible for Corrective Action:

Barney Wade, Board President

12-9 Corrective Action Planned:

The Board of Supervisors will open a separate bank account as may be required by a letter of condition.

Anticipated Completion Date:

Prior to any Rural Development loan or grant activity

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-10 Corrective Action Planned:

The Board of Supervisors will employ a professional that is duly qualified to monitor compliance of each separate federal grant.

Anticipated Completion Date:

Prior to any project using Federal loans or grants with a Buy America Act requirement.

Name of Contact Person Responsible for Corrective Action:

Barney Wade, Board President

12-11 Corrective Action Planned:

The Board of Supervisors will monitor the expenditure of funds to ensure that the proper order is followed.

Anticipated Completion Date:

Prior to the receipt of any future Federal funds

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-12 Corrective Action Planned:

Current Status: Prior to obtaining federal funds in the future Calhoun County will establish internal controls for the purpose of insuring compliance with OMB Circular A-87. By letter dated April 10, 2014 (copy attached), Calhoun County requested the assistance of Senator Cochran's office in resolving the audit issue with HUD. Senator Cochran's office provided the County's letter to HUD, provided additional information by e-mail (copies of e-mails enclosed) and discussed the matter with representatives of HUD. On April 29, 2014, HUD responded by e-mail as follows:

"The FY2010 Neighborhood Initiative grant for Calhoun County, number B-10-NI-MS-0001, in the amount of \$900,000, was fully disbursed as of January 18, 2013. The fully executed Closeout Package, closing out this award, was forwarded to your organization on November 13, 2013. As of this date, the Department does not require you, as the grantee, to submit any further documents unless it is related to the disposition of real property associated with the award.

In response to your questions below and per your conversation on April 24, 2014 with Ms. Pam Abhyankar in the HUD Congressional Grants Division regarding your organization's internal accounting of the reimbursement of the grant award funds, please note that under the Grant Agreement signed between your organization and the Department, it is allowable to first use county funds and then seek reimbursement under the award. The way in which your organization accounts for these funds on the grantee end is a matter of your internal accounting policy."

Calhoun County also requested advice concerning the finding from Jones Walker LLP, which served as bond counsel for the General Obligation Building Bond, Series 2012 in the principal amount of \$3,000,000 (the "Series 2012 Bond"), which was purchased by the United States Department of Agriculture, Rural Development. Jones Walker LLP recommended to the County that any remaining project related funds not required to pay remaining obligations and contingent obligations relating to the County's courthouse restoration and construction project should be used to reduce the principal amount of the Series 2012 Bond. Pursuant to this recommendation, the Board of Supervisors adopted the attached resolution at its October 6th, 2014 meeting.

Anticipated Completion Date:

The Board of Supervisors has already resolved this issue with HUD and has received its consent and approval thereof.

Name of Contact Person Responsible for Corrective Action:

Barney Wade, Board President

12-13 Corrective Action Planned:

The Board of Supervisors will implement procedures to timely disburse Federal funds after the receipt.

Anticipated Completion Date:

Prior to the receipt of any future Federal funds.

Name of Contact Person Responsible for Corrective Action:

Ramona Tillman – Chancery Clerk

12-14 Corrective Action Planned:

The Board of Supervisors will implement procedures to ensure applications for reimbursement are complete and accurate and evidenced.

Anticipated Completion Date:

Prior to the receipt of any future Federal funds.

Name of Contact Person Responsible for Corrective Action:

Barney Wade, Board President

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Barney Wade", is positioned above the printed name.

Barney Wade
Board President
662-983-0056
December 30, 2014

CALHOUN COUNTY

(This page left blank intentionally.)

**Board of Supervisors
Calhoun County, Mississippi**

CHANCERY CLERK
Romona Tillman

**P.O. Box 36
Pittsboro, Mississippi 38951**

ATTORNEY
Sonny Clanton

Earnest Fox, Dist. 1, Vice President
J.B. Rogers, Jr., Dist. 2
Gwin Longest, Dist. 3
Barney Wade, Dist. 4, President
Tony Morgan, Dist. 5
Sheryl Fleming, Purchasing Agent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2012

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Calhoun County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2011 - FINDING NO. 3: U. S Department of Housing and Urban Development (HUD)/Office of Community Planning and Development Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants, CFDA No. 14.251.

Condition: The expenditures submitted as supporting documentation for the drawdown of funds for this HUD grant in the amount of \$302,059 were the same expenditures that had already been submitted for drawdown of funds for the USDA Rural Development – ARRA Community Facilities Loans and Grants – Recovery Act (CFDA number 10.780) and received by the county. Therefore, the funds drawn down for this HUD grant were not in compliance with OMB Circular A-87 Cost Principles for State, Local, and Tribal Governments. Attachment A, Section C – Basic Guidelines, Part 3 – Allowable Costs, item c. which states “Any cost allocable to a particular Federal award or cost objectives under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.”

Recommendation: Internal controls should be put in place to ensure that drawdowns of federal funds are prepared and submitted in accordance with the provisions of OMB Circular A-87. Proper timely resolution of this issue with HUD officials should be pursued by the county government officials.

Current Status: Prior to obtaining federal funds in the future Calhoun County will establish internal controls for the purpose of insuring compliance with OMB Circular A-87.

By letter dated April 10, 2014 (copy attached), Calhoun County requested the assistance of Senator Cochran's office in resolving the audit issue with HUD. Senator Cochran's office provided the County's letter to HUD, provided additional information by e-mail (copies of e-mails enclosed) and discussed the matter with representatives of HUD. On April 29, 2014, HUD responded by e-mail as follows:

“The FY2010 Neighborhood Initiative grant for Calhoun County, number B-10-NI-MS-0001, in the amount of \$900,000, was fully disbursed as of January 18, 2013. The fully executed Closeout Package, closing out this award, was forwarded to your organization on November 13, 2013. As of this date, the Department does not require you, as the grantee, to submit any further documents unless it is related to the disposition of real property associated with the award.

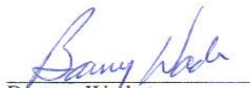
In response to your questions below and per your conversation on April 24, 2014 with Ms. Pam Abhyankar in the HUD Congressional Grants Division regarding your organization's internal accounting of the reimbursement of the grant award funds, please note that under the Grant Agreement signed between your organization and the Department, it is allowable to first use

{JX128152.1}

county funds and then seek reimbursement under the award. The way in which your organization accounts for these funds on the grantee end is a matter of your internal accounting policy.”

Calhoun County also requested advice concerning the finding from Jones Walker LLP, which served as bond counsel for the General Obligation Building Bond, Series 2012 in the principal amount of \$3,000,000 (the “Series 2012 Bond”), which was purchased by the United States Department of Agriculture, Rural Development. Jones Walker LLP recommended to the County that the any remaining project related funds not required to pay remaining obligations and contingent obligations relating to the County’s courthouse restoration and construction project should be used to reduce the principal amount of the Series 2012 Bond. Pursuant to this recommendation, the Board of Supervisors adopted the attached resolution at its October ~~6th~~ 2014 meeting.

Sincerely yours,



Barney Wade
Board President

[Telephone # _____]

662-412-3117